



Budget Options for State Fiscal Year 2011

Kansas Health Policy Authority Board

August 18, 2009

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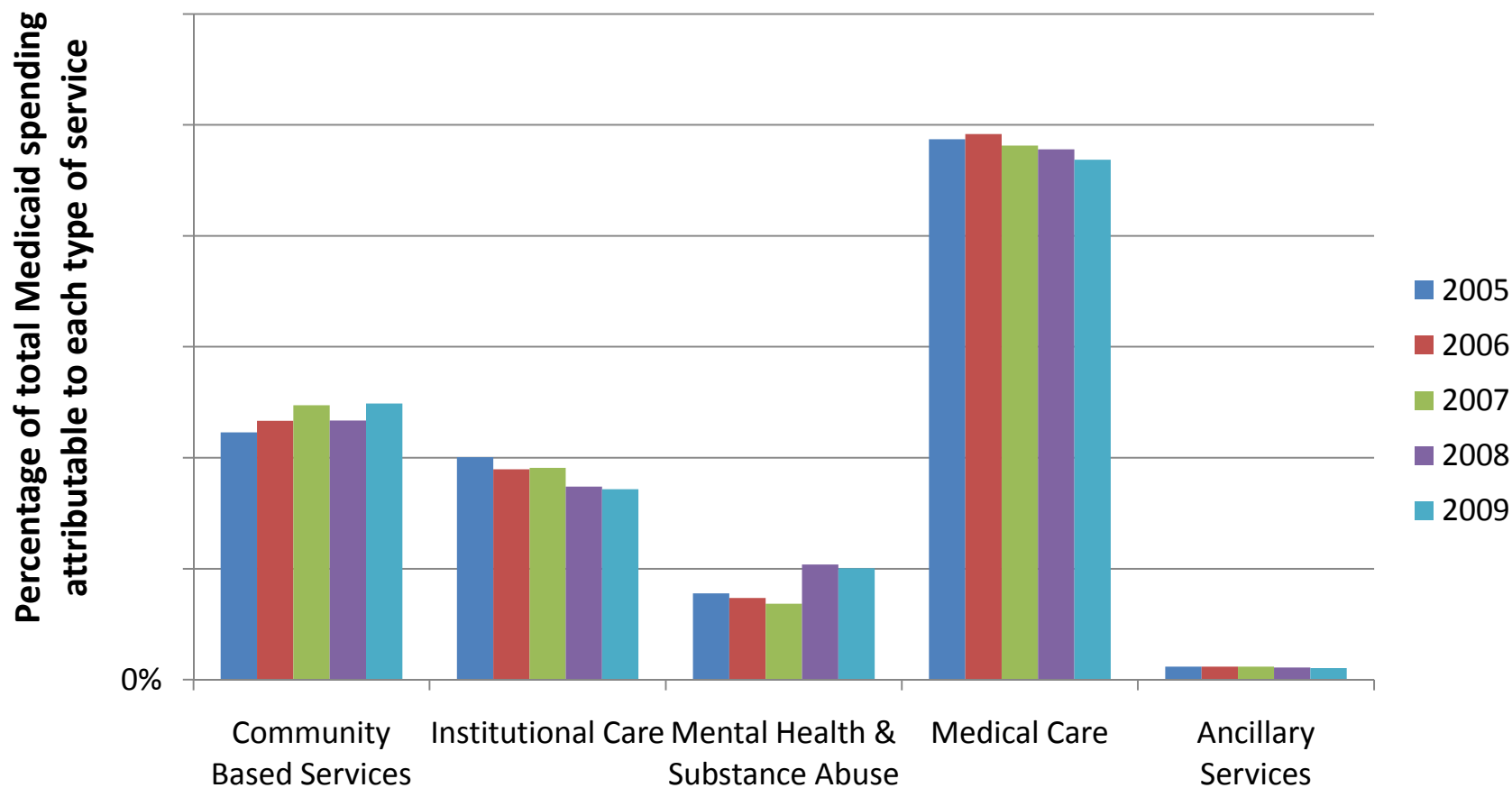
Key Factors

- **Uncertain revenue forecast**
 - Stable revenues in July
 - Unemployment flat, employment down
- **Initial savings target of about 1% of total spending**
 - Target based on 5% of non-caseload costs
 - Caseload costs rise significantly as Federal stimulus payments end
- **Larger savings targets would come later, if at all**
 - Significant savings may require coordination across agencies₂

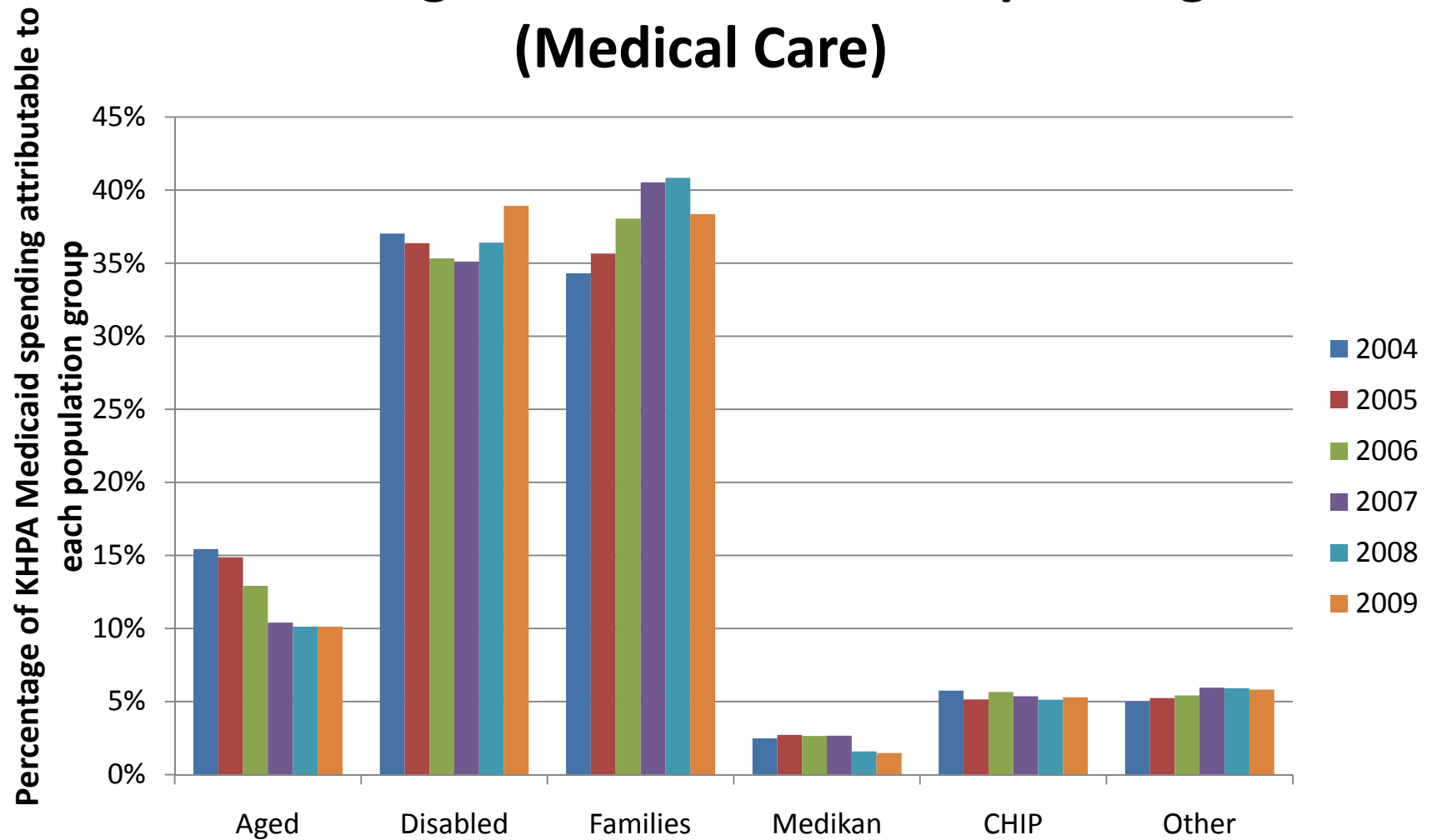


**Major sources of growth and
spending are shared across
Medicaid agencies**

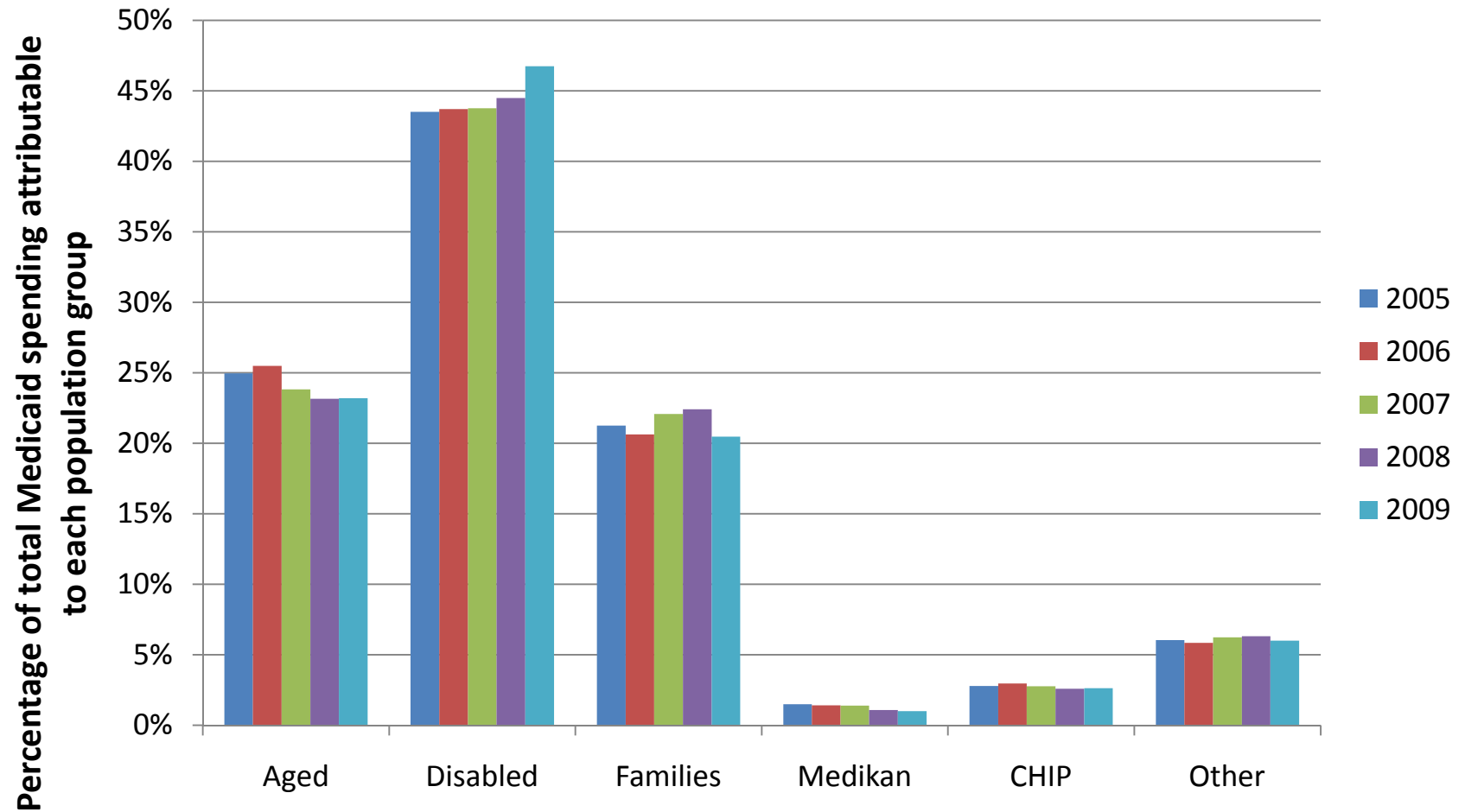
Payments by Type of Service as a Percentage of Total Medicaid Spending



Payments by Population Group as a Percentage of KHPA Medicaid Spending (Medical Care)



Payments by Population Group as a Percentage of Total Medicaid Spending





Budget Options Target Efficiency, Payment Equity, and Patient Safety

- **Options are targeted to reduce spending**
- **Investments in care coordination and the medical home are deferred, but planning will accelerate**
- **Options reflect informal input from legislators**
- **Options are focused on improving program efficiency, payment equity, and patient safety, rather than reducing program operations and support**



Options for FY 2011 Budget

- **Align reimbursement for medical professionals at current average of 84% of Medicare**
- **Increase co-pay for emergency room use**
- **Increase premiums for SCHIP**
- **Streamline prior authorization in Medicaid**
- **Initiate pharmacy management for mental health drugs**



Summary of Budget Options: Savings Impact in FY 2011

<u>Option</u>	<u>SGF</u>	<u>Federal Funds</u>	<u>All Funds</u>
Emergency Room Copayments	\$33,015	\$59,985	\$93,000
Increase HealthWave Premiums \$10 per month	\$350,226	\$1,377,654	\$1,727,880
Increase HealthWave Premiums \$20 per month	\$1,419,941	\$4,057,557	\$5,477,498
Streamline Prior Authorization (PA)	\$243,000	\$709,000	\$952,000
Align Professional Rates	\$3,621,000	\$6,579,000	\$10,200,000
Mental Health Pharmacy Management	\$800,000	\$1,200,000	\$2,000,000
Total savings with \$10 premium increase	\$5,047,241	\$9,925,639	\$14,972,880
Total savings with \$20 premium increase	\$6,116,956	\$12,605,542	\$18,722,498



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